

**CITY OF MANCHESTER**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2012**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-5
Management's Discussion and Analysis	6-10
Basic Financial Statements:	
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	13-14
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	15-16
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	17
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	18-19
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	20
Notes to Financial Statements	21-30
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	32-33
Notes to Other Information – Budgetary Reporting	34
Supplementary Information:	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	36-39
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds	40
Schedule of Indebtedness	41-42
Bond and Note Maturities	43-44
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	45
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	46-47
Schedule of Findings and Questioned Costs	48-54
Staff	55

## City of Manchester

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Milt Kramer	Mayor	January 2014
Tony Broghammer	Council Member	January 2014
Ron Struble	Council Member	January 2014
Connie Behnken	Council Member	January 2016
Dean Sherman	Council Member	January 2016
Dan Stelken	Council Member	January 2016
Timothy Vick	City Manager	
Erin Learn	City Clerk	
Julie Schmitz	Deputy City Clerk	
James Peters	City Attorney	

**RFSW** Ridihalgh Fuelling  
Snitker Weber & Co.  
C E R T I F I E D P U B L I C A C C O U N T A N T S

Alan W. Flick, CPA  
Gina E. Trimble, CPA

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Manchester's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2013 on our consideration of the City of Manchester's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester's basic financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 6 through 10 and 32 through 34 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script that reads "Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.".

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

January 24, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Manchester provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- The City's property tax revenues remained stable, increasing by only \$7,825, to \$2,369,851. Overall revenues increased by \$1,140,200, or approximately 15%, to \$8,638,510 from fiscal 2011 to fiscal 2012.
- Total disbursements increased by approximately 14%, or \$1,168,843, to \$9,448,048 from fiscal 2011 to fiscal 2012.
- The City's total cash basis net assets increased by approximately 5%, or \$186,462, to \$3,867,337 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$58,186 and the assets of the business type activities increased approximately \$128,276.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial

information and discussion within this annual report, the reader should keep in mind the limitations resulting from the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water department and sewer department. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

**Governmental funds** account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment (TIF), 3) the Debt Service Fund, and 4) Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Governmental funds are further broken down into the following activities:

Public Safety - This category includes police and communications center operations, disaster control, fire protection, and animal control services.

Public Works - This category includes roadway maintenance, traffic safety, street cleaning, storm/street drainage, airport, solid waste collection, snow removal, compost facility, local option tax, and equipment reserve.

Culture and Recreation - This category includes library, parks, recreation programs, family aquatic center, sports complex, and special events.

Community and Economic Development - This category includes community beautification, economic development, building and housing, planning and zoning, and revolving loan fund.

General Government - This category includes legislative, administration, tax revenue, insurance, employee benefits, local access cablevision and other general government.

Debt Service - This category includes general and tax increment financing debt service.

Capital Projects - This category includes the Downtown Incentive Program, Housing Grant Projects, Street Projects, and other capital projects.

**Proprietary Funds** account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$3,234,704 to \$3,292,890.

The City's receipts including other financing sources for governmental activities totaled \$6,277,867 for Fiscal 2012. The total cost of all programs and services was \$6,219,681. The net result was a surplus of \$58,186 for Fiscal 2012.

The City kept property tax rates the same for 2012 with a rate of \$15.88760. With changes to Residential Rollback, this resulted in an additional \$7,825 in property tax revenues.

The cost of all governmental activities this year was \$6,219,681 compared to \$5,982,199 last year. As shown in the Statement of Activities and Net Assets, the amount of property taxes ultimately utilized for these activities was only \$2,818,848 because some of the cost was paid by other city taxes, which include local option taxes primarily \$456,122, and by those directly benefited from the programs or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$271,287). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$2,673,424 as follows: tax revenues specifically designated for use with only certain programs, bond proceeds, interest, transfers from other funds and general entitlements.

Total business type activities receipts for the fiscal year were \$3,356,643 compared to \$2,637,992 last year. The cash balance increased by \$128,276 due to grant proceeds received for Water Capital Projects occurring in the City. Total disbursements for the fiscal year were \$3,228,367, an increase of approximately 41% over the prior year. This increase was primarily due to Water Capital Projects, specifically the Well 4 & 5 Improvement Project.

#### **INDIVIDUAL GOVERNMENTAL FUND ANALYSIS**

As the City of Manchester completed the year, its governmental funds reported a combined fund balance of \$3,292,890, an increase of \$58,186 from last year's total of \$3,234,704. The following are the major reasons for the change in fund balances of the major funds from the prior year:



- The General Fund cash balance increased by \$83,953 from the prior year to \$801,354 due to grants received and an increase in license and permit fees.
- The Special Revenue, Franchise Fee Fund cash balance decreased by \$68,529 from the prior year to \$363,794. This decrease was due to the use of these funds to offset the cost of street lighting.
- The Special Revenue, Local Option Tax Fund cash balance increased by \$186,430 from the prior year to \$657,050. This increase was due to a decrease in street project expenditures for the fiscal year.
- The Special Revenue, Tax Increment Financing Fund cash balance increased by \$288,254 from the prior year to \$292,875. This increase was due primarily to the repayment of a loan by Manchester Enterprises when the spec building in the City's industrial park was sold.
- The Capital Project, Street Projects Fund cash balance decreased by \$683,283 from the prior year to \$38,275. This decrease was attributable to grant and bond proceeds expended during this fiscal year for street project work within the City.
- The Debt Service Fund cash balance increased by \$20,298 from the prior year to \$69,614. This increase was due to proceeds from the 2012 General Obligation Bond Issue.
- The Other Nonmajor Governmental Funds increased by \$231,063 from the prior year to \$781,674. This increase was due primarily to grant proceeds received for the FEMA Acquisition/Demolition Project.

The changes in the governmental funds as a whole are due primarily to the timing of capital projects and the funding for these projects. The construction season typically runs from April through October, and subsequently crosses over two fiscal years, as the City's fiscal year is July 1 through June 30. Therefore revenues may be received in one fiscal year but not spent until the next fiscal year, and vice versa.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased by \$61,320 to \$233,589.
- The Enterprise, Water Capital Improvement Fund finished the fiscal year with a deficit balance of \$895,165 due to expenditures associated with the Well 4 & 5 Improvement Project. CDBG grant funds and state revolving funds were received after June 30, 2012, which offset this deficit.
- The Enterprise, Sewer Fund cash balance increased by \$35,767 to \$95,220.
- The Enterprise, Sewer Capital Improvement Fund cash balance increased from \$158,464 to \$697,229. This increase was due to proceeds from the 2012 General Obligation Bond Issue for lift station improvements.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of Manchester amended its budget one time. The amendment was approved on May 29<sup>th</sup>, 2012. The amendment was needed, in large part, due to the following items: grant funds received; bond proceeds from the 2012 General Obligation Bond Issue; grant expenditures; police office building expansion; airport planning; park capital improvements; the Community Childcare Facility Project; and the timing of capital projects. The additional revenues received by the City absorbed the additional expenditures.

## **DEBT ADMINISTRATION**

At June 30, 2012, the City had \$6,488,000 in general obligation bonds, compared to \$6,440,000 last year, as shown below. Additionally, the City had \$5,443,000 in sewer revenue bonds at June 30, 2012.

City of Manchester		
Outstanding Debt at Year-End		
	June 30,	
	2012	2011
General obligation bonds	\$ 6,488,000	\$ 6,440,000
State Revolving Fund Revenue Bonds	5,443,000	5,680,000
Total	\$ 11,931,000	\$ 12,120,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment debt of \$6,488,000 is significantly below its constitutional debt limit of \$13,273,492.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Manchester's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Delaware County is 3.7% versus 4.4% in the prior year. This is lower than the State's unemployment rate of 4.9% and significantly lower than the national rate of 7.8%. However, given the financial uncertainty of the current economy, property tax rates were decreased from \$15.88760 in fiscal year 2012 to \$15.69797 in fiscal year 2013. Revenues tied to the economy continue to remain steady. Local option sales tax receipts along with road use tax revenues are projected to meet estimates. The City's population decreased slightly with the 2010 Census from 5,257 to 5,179 but has not significantly impacted the City's financial standing. Manchester's commercial and industrial districts continue to thrive with few mandatory layoffs, no shutdowns, and limited vacant storefronts.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT DEPARTMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Timothy J. Vick, City Manager, or Erin Learn, City Clerk, 208 East Main Street, Manchester, Iowa.

**City of Manchester**

## **Basic Financial Statements**

## City of Manchester

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,307,833	3,269	195,108	-
Public works	1,077,500	336,597	501,020	-
Culture and recreation	797,076	126,720	94,032	-
Community and economic development	201,313	-	-	-
General government	284,863	82,272	108,296	-
Debt service	1,125,583	-	302	-
Capital projects	1,425,513	-	302,506	482,720
Total governmental activities	6,219,681	548,858	1,201,264	482,720
Business type activities:				
Water	2,260,739	667,177	-	1,058,596
Sewer	967,628	1,095,248	2,576	45
Total business type activities	3,228,367	1,762,425	2,576	1,058,641
Total	\$ 9,448,048	2,311,283	1,203,840	1,541,361
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds, net				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Urban Renewal purposes				
Debt service				
Streets				
Other purposes				
Committed				
Assigned				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(1,109,456)	-	(1,109,456)
(239,883)	-	(239,883)
(576,324)	-	(576,324)
(201,313)	-	(201,313)
(94,295)	-	(94,295)
(1,125,281)	-	(1,125,281)
(640,287)	-	(640,287)
(3,986,839)	-	(3,986,839)
-	(534,966)	(534,966)
-	130,241	130,241
-	(404,725)	(404,725)
(3,986,839)	(404,725)	(4,391,564)
1,721,086	-	1,721,086
448,997	-	448,997
648,765	-	648,765
456,122	-	456,122
18,563	14,888	33,451
996,000	-	996,000
271,287	2,318	273,605
(515,795)	515,795	-
4,045,025	533,001	4,578,026
58,186	128,276	186,462
3,234,704	446,171	3,680,875
\$ 3,292,890	574,447	3,867,337
\$ 581,129	-	581,129
69,614	371,513	441,127
975,967	-	975,967
156,868	-	156,868
552,120	-	552,120
423,231	-	423,231
533,961	202,934	736,895
\$ 3,292,890	574,447	3,867,337

## City of Manchester

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2012

	General	Special Revenue			Capital Project Street Projects
		Franchise Fee Gas & Electric	Local Option Tax	T.I.F.	
<b>Receipts:</b>					
Property tax	\$ 1,320,281	-	-	-	-
Tax increment financing collections	-	-	-	448,997	-
Other city tax	83,357	-	456,122	-	-
Licenses and permits	81,250	-	-	-	-
Use of money and property	18,563	6,471	5,308	4,367	-
Intergovernmental	296,544	-	-	-	-
Charges for service	463,228	-	-	-	-
Special assessment	-	-	-	-	3,629
Miscellaneous	191,914	-	-	301,499	-
<b>Total receipts</b>	<b>2,455,137</b>	<b>6,471</b>	<b>461,430</b>	<b>754,863</b>	<b>3,629</b>
<b>Disbursements:</b>					
Operating:					
Public safety	1,301,074	-	-	-	-
Public works	602,578	-	-	-	-
Culture and recreation	761,680	-	-	-	-
Community and economic development	195,397	-	-	-	-
General government	234,971	-	-	-	-
Debt service	-	-	-	15,987	-
Capital projects	-	-	-	-	961,912
<b>Total disbursements</b>	<b>3,095,700</b>	<b>-</b>	<b>-</b>	<b>15,987</b>	<b>961,912</b>
<b>Excess of receipts over disbursements</b>	<b>(640,563)</b>	<b>6,471</b>	<b>461,430</b>	<b>738,876</b>	<b>(958,283)</b>
<b>Other financing sources (uses):</b>					
Bond Proceeds	-	-	-	-	-
Operating transfers in	822,361	-	-	-	275,000
Operating transfers out	(97,845)	(75,000)	(275,000)	(450,622)	-
<b>Total other financing sources (uses)</b>	<b>724,516</b>	<b>(75,000)</b>	<b>(275,000)</b>	<b>(450,622)</b>	<b>275,000</b>
<b>Net change in cash balances</b>	<b>83,953</b>	<b>(68,529)</b>	<b>186,430</b>	<b>288,254</b>	<b>(683,283)</b>
<b>Cash balances beginning of year</b>	<b>717,401</b>	<b>432,323</b>	<b>470,620</b>	<b>292,875</b>	<b>721,558</b>
<b>Cash balances end of year</b>	<b>\$ 801,354</b>	<b>363,794</b>	<b>657,050</b>	<b>581,129</b>	<b>38,275</b>
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Urban Renewal purposes	\$ -	-	-	581,129	-
Debt service	-	-	-	-	-
Streets	-	-	657,050	-	-
Other purposes	-	-	-	-	-
Committed	26,986	363,794	-	-	-
Assigned for capital purchases	91,241	-	-	-	38,275
Assigned for other purposes	5,068	-	-	-	-
Unassigned	678,059	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 801,354</b>	<b>363,794</b>	<b>657,050</b>	<b>581,129</b>	<b>38,275</b>

See notes to financial statements

Debt Service	Other Nonmajor Governmental Funds	Total
648,765	400,805	2,369,851
-	-	448,997
-	-	539,479
-	-	81,250
302	2,523	37,534
-	867,864	1,164,408
-	4,380	467,608
-	112,120	115,749
-	79,373	572,786
649,067	1,467,065	5,797,662
-	6,759	1,307,833
-	474,922	1,077,500
-	35,396	797,076
-	5,916	201,313
-	49,892	284,863
1,109,596	-	1,125,583
-	463,601	1,425,513
1,109,596	1,036,486	6,219,681
(460,529)	430,579	(422,019)
996,000	-	996,000
454,827	274,601	1,826,789
(970,000)	(474,117)	(2,342,584)
480,827	(199,516)	480,205
20,298	231,063	58,186
49,316	550,611	3,234,704
69,614	781,674	3,292,890
-	-	581,129
69,614	-	69,614
-	318,917	975,967
-	156,868	156,868
-	161,340	552,120
-	115,678	245,194
-	172,969	178,037
-	(144,098)	533,961
69,614	781,674	3,292,890



City of Manchester

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2012

<b>Total governmental funds cash balances (page 16)</b>	\$3,292,890
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net assets of governmental activities (page 14)</b>	<u>\$3,292,890</u>
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<b>Net change in cash balances (page 16)</b>	\$ 58,186
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash balance of governmental activities (page 14)</b>	<u>\$ 58,186</u>
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See notes to financial statements

## City of Manchester

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2012

	Water	Water Capital Improvement	Sewer
Operating receipts:			
Use of money and property	\$ 14,888	-	-
Intergovernmental	-	1,058,596	-
Charges for service	667,177	-	1,085,123
Miscellaneous	2,111	-	207
Total operating receipts	684,176	1,058,596	1,085,330
Operating disbursements:			
Business type activities	622,856	1,637,883	475,368
Total operating disbursements	622,856	1,637,883	475,368
Excess (deficiency) of operating receipts over (under) operating disbursements	61,320	(579,287)	609,962
Operating transfers in (out)	-	-	(574,195)
Net change in cash balances	61,320	(579,287)	35,767
Cash balances beginning of year	172,269	(315,878)	59,453
Cash balances end of year	\$ 233,589	(895,165)	95,220
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ -	-	-
Unrestricted	233,589	(895,165)	95,220
Total cash basis fund balances	\$ 233,589	(895,165)	95,220

See notes to financial statements

Sewer Debt Service	Sewer Capital Improvement	Other Nonmajor Proprietary Funds	Total
2,576	-	45	17,509
-	-	-	1,058,596
-	-	10,125	1,762,425
-	-	-	2,318
2,576	-	10,170	2,840,848
421,600	61,235	9,425	3,228,367
421,600	61,235	9,425	3,228,367
(419,024)	(61,235)	745	(387,519)
479,730	600,000	10,260	515,795
60,706	538,765	11,005	128,276
310,807	158,464	61,056	446,171
371,513	697,229	72,061	574,447
371,513	-	-	371,513
-	697,229	72,061	202,934
371,513	697,229	72,061	574,447

## City of Manchester

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds

As of and for the year ended June 30, 2012

<b>Total enterprise funds cash balances (page 19)</b>	\$ 574,447
---	------------

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

<b>Cash basis net assets of business type activities (page 14)</b>	<u>\$ 574,447</u>
--	-------------------

<b>Net change in cash balances (page 19)</b>	\$ 128,276
--	------------

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

<b>Change in cash balance of business type activities (page 14)</b>	<u>\$ 128,276</u>
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See notes to financial statements

City of Manchester

Notes to Financial Statements

June 30, 2012

**(1) Summary of Significant Accounting Policies**

The City of Manchester is a political subdivision of the State of Iowa located in Delaware County. It was first incorporated in 1850 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Manchester has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions:

Delaware County Economic Development Commission  
Delaware County Solid Waste Commission  
Delaware County Conference Board  
Delaware County E911 Board  
Manchester Area Chamber of Commerce  
Community Promotion Board – Hotel/Motel Tax  
East Central Intergovernmental Association  
Foundation for the Future of Delaware County  
Northeastern Iowa Regional League  
Eastern Iowa Regional Housing Authority  
Delaware County Communications Center

Buchanan County Joint E911 Service Board

The City is also a participant in the following community venture programs:

Community Childcare of Manchester  
Greater Delaware County Community Foundation  
Good to Great  
Manchester Regional Education Partnership

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds:

The Special Revenue – Franchise Fees Gas and Electric Fund is used to account for gas and electric franchise fees collected from utility customers. See Note 15 for disclosures related to this fund.

The Special Revenue – Tax Increment Finance Fund is used to account for TIF property tax revenues and expenditures for TIF debt and TIF projects.

The Special Revenue – Local Option Sales Tax Fund is used to account for revenues and expenditures of local option sales tax.

The Capital Project Fund – Street Improvements is used to account for major street construction projects in the City.

The Debt Service Fund is used to account for collection of property taxes levied for the payment of principal and interest on the City's general obligation bonds and notes.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water utility system.

The Water Capital Improvement Fund accounts for grant proceeds for and capital projects relating to improving the City's water infrastructure.

The Sewer Fund accounts for the operation and maintenance of the City's sewer utility system.

The Sewer Debt Service Fund accounts for payments of principal and interest on the City's State Revolving Fund Revenue Bonds.

The Sewer Capital Improvement Fund accounts for capital projects relating to improving the City's sewer infrastructure.

C. Measurement Focus and Basis of Accounting

The City of Manchester maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the

disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances:**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact. The City does not currently have any nonspendable funds.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. At June 30, 2012 disbursements did not exceed the amounts budgeted in any function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investment policy limits the investment of operating funds, those funds which are expected to be expended in the current budget year or within 15 months of receipt, to instruments that mature within 397 days. The maturities shall be consistent with the needs and use of the City.



In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,881 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity for bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		State Revolving Fund Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 968,000	184,253	245,000	163,290	1,213,000	347,543
2014	1,148,000	165,570	253,000	155,940	1,401,000	321,510
2015	1,100,000	134,370	261,000	148,350	1,361,000	282,720
2016	836,000	102,383	270,000	140,520	1,106,000	242,903
2017	782,000	78,520	278,000	132,420	1,060,000	210,940
2018 – 2022	1,412,000	138,624	1,533,000	531,390	2,945,000	670,014
2023 – 2027	242,000	28,220	1,798,000	286,020	2,040,000	314,240
2028 – 2029	-	-	805,000	36,420	805,000	36,420
Total	\$ 6,488,000	831,940	5,443,000	1,594,350	11,931,000	2,426,290

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

#### General Obligation Bonds

On May 3, 2012 the city issued \$1,000,000 of general obligation corporate purpose bonds for sanitary sewer and park improvements and for improvements to the police station.

#### Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$5,443,000 of bonds outstanding as of June 30, 2012. The bonds were issued July 2, 2008 for a construction project related to the City's Wastewater Treatment System. The notes are payable solely from sewer customer net receipts and are payable through 2029. Annual principal and interest payments on the notes are expected to require less than 100% of net receipts. The total principal and interest remaining to be paid on the notes is \$7,037,350. For the current year, principal and interest paid and total customer net receipts were \$237,000 and \$170,400, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the sewer activity and the note holders hold a lien on the future earnings of the funds.
- (b) Charges for sewer services shall be at least sufficient to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (c) Charges for sewer services shall be at least sufficient to meet the operation and maintenance expenses of the wastewater treatment system.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2012, was \$134,934, equal to the required contributions for the year.

The City previously made available to each full-time or regular part-time employee the opportunity to make tax exempt contributions under and approved 457 Deferred Compensation Plan. During the year the City discontinued this plan.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer benefit plan which provides medical/prescription drug, dental, and vision benefits provided through a plan with Wellmark Blue Cross/Blue Shield for active employees and their families. Retired employees are eligible to participate at their own expense and must be age 55 or older at retirement. There are 31 active and 5 retired members in the plan.

Funding Policy - The contribution requirements of plan members are established by resolution and may be amended by the City. The City fully funds a single coverage policy for employees. Any employees choosing other than a single policy must pay a sliding scale monthly premium up to a maximum of 20% of the total monthly cost. For the year ended June 30, 2012, the City contributed \$226,708 on behalf of plan members.

**(6) Termination Benefits**

In 2007, the City approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have 1) completed at least ten years of full-time service to the City, 2) have reached the age of 55 by December 31, 2007, and 3) have resigned by December 31, 2007. The application for early retirement was subject to approval by the City Council.

Early retirement benefits equal 25% of each day of earned, unused sick leave days, calculated as of the last day of employment prior to retirement. If the employee wanted to continue participation in the City's health insurance plan, the payment would contribute towards the monthly premium not to exceed \$400 per month. The City cease coverage of the retiree upon the earliest of the following: 1) the employee fails to pay any premium balance, 2) the employee becomes deceased, or 3) the employee becomes eligible for Medicare.

At June 30, 2012, the City has obligations to three participants with total actual early retirement expenditures for the year ended June 30, 2012 of \$14,400.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 93,824
Sick	<u>492,351</u>
Total	<u>\$ 599,911</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue	
	Franchise fees	\$ 75,000
	Employee benefits	390,717
	Police "COPS"	3,000
	Debt Service	<u>200,000</u>
		<u>668,717</u>
Special Revenue		
Park Improvement	General	<u>24,601</u>
Capital Projects	Special Revenue	
Street Projects	Local option sales tax	275,000
Downtown Incentive	TIF	80,000
FEMA Projects	Debt Service	<u>170,000</u>
		<u>525,000</u>
Debt Service	Special Revenue	
	TIF	370,622
	Sewer	<u>84,205</u>
		<u>454,827</u>
Sewer Replacement	Sewer	<u>10,260</u>
Sewer Debt Service	Sewer	<u>479,730</u>
Sewer Capital Improvement	Debt Service	<u>600,000</u>
Total		<u>\$ 2,763,135</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(9) Related Party Transactions**

The City had business transactions between the City and City officials during the year ended June 30, 2012 totaling \$23,054.

**(10) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Economic Development Loans and Agreements**

The City granted a corporation a noninterest bearing loan in the amount of \$325,000 to build a speculative building in the Manchester Industrial Park for the purpose of attracting new industry and/or creating jobs in the City of Manchester. During the year the building was sold and the total amount advanced of \$301,499 was repaid to the City.

The City has granted Lextron Animal Health an interest bearing loan in the amount of \$50,000 to make proposed construction improvements to its lot. Principal and interest payments are due in annual installments and began December 31, 2009 continuing through December 31, 2018. The annual interest rate is 2% and the City is provided with a security interest in the real estate mortgage on the land, building, and fixtures of the specified lot.

The City entered into a development agreement on September 10, 2007 for an urban renewal project for the period June 1, 2010 through June 1, 2014. The agreement requires the City to rebate portions of the incremental tax paid by a developer up to \$14,110 a year for five years with a maximum total payment of \$70,550. The tax will be rebated in exchange for certain infrastructure improvements made by the developer. Obligations under the agreement are subject to annual appropriation by the City Council. The City made payments under this agreement of \$14,110 during the year ended June 30, 2012.

The City entered into a development agreement on June 19, 2008 for an urban renewal project beginning on December 1, 2010 and continuing for ten years. The agreement requires the City to rebate portions of the incremental tax paid by a company up to \$176,000. The tax will be rebated in exchange for construction of a warehouse addition by the company. Obligations under the agreement are subject to annual appropriation by the City Council. The City made no payments under this agreement during the year ended June 30, 2012.

The City entered into a development agreement on September 26, 2011 for an urban renewal project. The agreement requires the City to rebate portions of the incremental tax paid by a company up to \$41,500 over three years. The tax will be rebated in order for the company to maintain fiscal viability. Obligations under the agreement are

subject to annual appropriation by the City Council. The City made payments under this agreement of \$11,823 during the year ended June 30, 2012.

These agreements are not general obligations of the City however the amounts payable are subject to the constitutional debt limitation of the City.

**(12) Notes Receivable**

The City has loaned money to area businesses as part of its Downtown Incentive Program. The program provides no interest loans to downtown businesses for façade and interior improvements.

Bill Corcoran, due in monthly installments of \$63, beginning on May 1, 2009 through April 1, 2014. The note bears no interest and is unsecured. Balance due at June 30, 2012 is \$1,393.

Fred and Judy Vorwald, due in annual installments of \$2,000, beginning August 1, 2008 through August 1, 2012. The note bears no interest and is unsecured. Balance due at June 30, 2012 is \$2,000.

Schaul LLC, due in monthly installments of \$167, beginning January 1, 2010 through December 1, 2014. The loan bears no interest and is unsecured. Balance due at June 30, 2012 is \$4,996.

Matthew Schulte, due in monthly installments of \$167, beginning June 1, 2011 through May 1, 2016. The loan bears no interest and is unsecured. Balance due at June 30, 2012 is \$7,829.

**(13) Construction Commitments**

The City awarded a bid to Kleusner Construction for the 2012 joint and crack sealing project. The contract was not paid before year end.

The City awarded a bid to Top Grade Excavating for the Burrington Road sanitary sewer expansion project. The contract total was for \$264,957.45 of which \$862.80 had been paid before year end.

The City awarded a bid to K & W Coatings for the water tower repainting project. The contract total was for \$112,000 of which none been paid before year end.

**(14) Deficit Fund Balances**

The Water Capital Improvement Fund and the Capital Projects – CDBG Housing Grants Fund had deficit balances of \$895,165 and \$144,098, respectively at June 30, 2012. The deficit balances were a result of project costs incurred before grant and loan fund reimbursements. The deficits will be eliminated upon receipt of the grant funds.

**(15) Litigation**

The City has been named a defendant in a class action petition filed in Iowa District Court for Delaware County on September 15, 2006. The petition is in regards to franchise fees that have been imposed on revenues for gas and electric utilities, cable television, and other services to customers within the City. The City has discontinued

collection of franchise fees while the suit is pending. The amount of potential liability could range from \$0 to \$500,000.

**(16) Subsequent Event**

There were no subsequent events through January 24, 2013, the date of the audit report.

### **Other Information**

City of Manchester

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,369,851	-	-
Tax increment financing collections	448,997	-	-
Other city tax	539,479	-	-
Licenses and permits	81,250	-	-
Use of money and property	37,534	17,509	-
Intergovernmental	1,164,408	1,058,596	-
Charges for service	467,608	1,762,425	-
Special assessment	115,749	-	-
Miscellaneous	572,786	2,318	-
Total receipts	5,797,662	2,840,848	-
Disbursements:			
Public safety	1,307,833	-	-
Public works	1,077,500	-	-
Culture and recreation	797,076	-	-
Community and economic development	201,313	-	-
General government	284,863	-	-
Debt service	1,125,583	-	-
Capital projects	1,425,513	-	-
Business type activities	-	3,228,367	-
Total disbursements	6,219,681	3,228,367	-
Excess of receipts over disbursements	(422,019)	(387,519)	-
Other financing sources (uses), net	480,205	515,795	-
Excess of receipts and other financing sources over disbursements and other financing uses	58,186	128,276	-
Balances beginning of year	3,234,704	446,171	-
Balances end of year	\$ 3,292,890	574,447	-

See accompanying independent auditor's report.



Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
2,369,851	2,289,964	2,371,720	(1,869)
448,997	443,257	443,257	5,740
539,479	568,171	488,000	51,479
81,250	26,005	45,055	36,195
55,043	45,440	51,890	3,153
2,223,004	2,189,702	3,396,394	(1,173,390)
2,230,033	2,335,800	2,314,600	(84,567)
115,749	115,000	112,000	3,749
575,104	223,601	307,960	267,144
8,638,510	8,236,940	9,530,876	(892,366)
1,307,833	1,259,498	1,384,739	76,906
1,077,500	1,097,238	1,119,128	41,628
797,076	739,583	865,232	68,156
201,313	223,004	255,909	54,596
284,863	633,370	486,057	201,194
1,125,583	1,097,681	1,133,681	8,098
1,425,513	1,333,320	2,017,430	591,917
3,228,367	3,027,992	3,541,860	313,493
9,448,048	9,411,686	10,804,036	1,355,988
(809,538)	(1,174,746)	(1,273,160)	463,622
996,000	659,000	1,909,000	(913,000)
186,462	(515,746)	635,840	(449,378)
3,680,875	3,732,129	3,680,879	(4)
3,867,337	3,216,383	4,316,719	(449,382)

City of Manchester

Notes to Other Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue and Capital Projects Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted receipts by \$3,977,317 and increased budgeted disbursements by \$2,825,731. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted before amendment in the community and economic development and public works functions. At year end June 30, 2012 disbursements did not exceed the amounts budgeted.

### **Supplementary Information**

## City of Manchester

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2012

	Special Revenue			
	Road Use Tax	Employee Benefits	Police Special Uses	Tirrill Trust
Receipts:				
Property tax	\$ -	400,805	-	-
Other city tax	-	-	-	-
Use of money and property	-	61	31	55
Intergovernmental	491,234	-	500	-
Charges for services	-	-	-	-
Special assessment	-	-	-	-
Miscellaneous	-	29,694	10,449	1,068
Total receipts	491,234	430,560	10,980	1,123
Disbursements:				
Operating:				
Public safety	-	-	5,770	-
Public works	474,922	-	-	-
Culture and recreation	-	-	-	4,865
Community and economic develop	-	-	-	-
General government	-	49,892	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	474,922	49,892	5,770	4,865
Excess (deficiency) of receipts over (under) disbursements	16,312	380,668	5,210	(3,742)
Other financing sources:				
Operating transfers in (out)	(80,400)	(390,717)	-	-
Net change in cash balances	(64,088)	(10,049)	5,210	(3,742)
Cash balances beginning of year	383,005	11,302	5,382	6,224
Cash balances end of year	\$ 318,917	1,253	10,592	2,482
<b>Cash Basis Fund Balances</b>				
Restricted	\$ 318,917	1,253	-	2,482
Committed	-	-	-	-
Assigned for capital projects	-	-	-	-
Assigned for other purposes	-	-	10,592	-
Unassigned	-	-	-	-
Total cash basis fund balances	\$ 318,917	1,253	10,592	2,482

See accompanying independent auditor's report

Special Revenue (continued)					
Police COPS	Police K9	Park Gift & Trust	Park Improvement	Housing Acquisition & Demolition	Lora Stewart Trust
-	-	-	-	-	-
-	40	165	513	91	19
-	-	4,380	-	-	-
-	-	-	-	-	-
3,000	375	9,268	500	3,603	-
3,000	415	13,813	1,013	3,694	19
-	989	-	-	-	-
-	-	10,162	8,801	-	-
-	-	-	-	5,916	-
-	-	-	-	-	-
-	-	-	-	-	-
-	989	10,162	8,801	5,916	-
3,000	(574)	3,651	(7,788)	(2,222)	19
(3,000)	-	-	24,601	-	-
-	(574)	3,651	16,813	(2,222)	19
-	5,256	19,181	48,421	25,470	2,962
-	4,682	22,832	65,234	23,248	2,981
-	-	-	-	-	2,981
-	-	-	-	23,248	-
-	4,682	22,832	65,234	-	-
-	-	-	-	-	-
-	4,682	22,832	65,234	23,248	2,981

## City of Manchester

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds (continued)

As of and for the year ended June 30, 2012

	Special Revenue (continued)		Capital Projects	
	Library Gift & Trust	Economic Development RLF	Capital Projects Levied	Downtown Incentive
Receipts:				
Property tax	\$ -	-	-	-
Other city tax	-	-	-	-
Use of money and property	541	-	387	157
Intergovernmental	9,159	-	-	-
Charges for services	-	-	-	-
Special Assessment	-	-	-	-
Miscellaneous	7,228	5,566	-	7,813
Total receipts	16,928	5,566	387	7,970
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	11,568	-	-	-
Community and economic develop	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	20,558	33,810
Total disbursements	11,568	-	20,558	33,810
Excess (deficiency) of receipts over (under) disbursements	5,360	5,566	(20,171)	(25,840)
Other financing sources:				
Operating transfers in (out)	-	-	-	80,000
Net change in cash balances	5,360	5,566	(20,171)	54,160
Cash balances beginning of year	46,911	11,792	38,438	83,932
Cash balances end of year	\$ 52,271	17,358	18,267	138,092
<b>Cash Basis Fund Balances</b>				
Restricted	\$ -	-	-	-
Committed	-	-	-	138,092
Assigned for capital projects	-	-	18,267	-
Assigned for other purposes	52,271	17,358	-	-
Unassigned	-	-	-	-
Total cash basis fund balances	\$ 52,271	17,358	18,267	138,092

See accompanying independent auditor's report

Capital Projects (continued)				
Bikeway Walkway Project	Street Improvement	CDBG Housing Grants	FEMA Capital Projects	Total
-	-	-	-	400,805
-	-	-	-	-
-	463	-	-	2,523
-	-	7,000	359,971	867,864
-	-	-	-	4,380
-	112,120	-	-	112,120
-	-	-	809	79,373
-	112,583	7,000	360,780	1,467,065
-	-	-	-	6,759
-	-	-	-	474,922
-	-	-	-	35,396
-	-	-	-	5,916
-	-	-	-	49,892
-	-	-	-	-
-	60,161	129,623	219,449	463,601
-	60,161	129,623	219,449	1,036,486
-	52,422	(122,623)	141,331	430,579
-	-	-	170,000	(199,516)
-	52,422	(122,623)	311,331	231,063
9,285	35,704	(21,475)	(161,179)	550,611
9,285	88,126	(144,098)	150,152	781,674
-	-	-	150,152	475,785
-	-	-	-	161,340
9,285	88,126	-	-	115,678
-	-	-	-	172,969
-	-	(144,098)	-	(144,098)
9,285	88,126	(144,098)	150,152	781,674

## City of Manchester

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2012

	Utility Deposit Trust	Sewer Replacement	Total
Receipts:			
Operating receipts:			
Use of money and property	\$ -	45	45
Intergovernmental	-	-	-
Charges for service	10,125	-	10,125
Miscellaneous	-	-	-
Total operating receipts	10,125	45	10,170
Operating disbursements:			
Business type activities	9,425	-	9,425
Total operating disbursements	9,425	-	9,425
Excess (deficiency) of operating receipts over (under) operating disbursements	700	45	745
Operating transfers in (out)	-	10,260	10,260
Net change in cash balances	700	10,305	11,005
Cash balances beginning of year	42,182	18,874	61,056
Cash balances end of year	\$ 42,882	29,179	72,061
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 42,882	29,179	72,061
Total cash basis fund balances	\$ 42,882	29,179	72,061

See accompanying independent auditor's report



City of Manchester  
Schedule of Indebtedness  
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Corporate purpose, Series 2005	November 1, 2005	3.60 - 3.65%	\$ 2,450,000
Corporate purpose, Series 2007	October 1, 2007	3.75 - 4.05%	715,000
Fire station	February 13, 2008	3.85%	800,000
Corporate purpose, Series 2008	July 1, 2008	3.30 - 4.10%	2,645,000
Corporate purpose, Series 2010	May 15, 2010	1.40 - 3.60%	1,865,000
Water improvement, Series 2010B	November 23, 2010	.85 - 3.15%	550,000
Corporate purpose, Series 2012	May 3, 2012	.60 - 1.60%	1,000,000
State revolving fund - Revenue bonds	July 2, 2008	3.00%	6,010,000

See accompanying independent auditor's report

**Schedule 3**

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 1,175,000	-	280,000	895,000	42,455	-
530,000	-	65,000	465,000	20,713	-
695,000	-	37,000	658,000	26,758	-
1,870,000	-	265,000	1,605,000	70,505	-
1,620,000	-	255,000	1,365,000	39,250	-
550,000	-	50,000	500,000	11,619	-
-	1,000,000	-	1,000,000	-	-
<hr/>					
\$ 6,440,000	1,000,000	952,000	6,488,000	211,300	-
<hr/>					
\$ 5,680,000	-	237,000	5,443,000	170,400	-
<hr/>					

City of Manchester  
Bond and Note Maturities

June 30, 2012

Year Ending June 30,	General Obligation Bonds and Notes							
	Corporate Purpose Series 2005		Corporate Purpose Series 2007		Fire Station		Corporate Purpose Series 2008	
	November 1, 2005		October 1, 2007		February 13, 2008		July 1, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	3.60%	\$ 285,000	3.80%	70,000	3.85%	38,000	3.50%	270,000
2014	3.60%	300,000	3.85%	75,000	3.85%	38,000	3.70%	260,000
2015	3.65%	310,000	3.90%	75,000	3.85%	40,000	3.85%	270,000
2016	-	-	3.95%	80,000	3.85%	41,000	3.95%	310,000
2017	-	-	4.00%	80,000	3.85%	42,000	4.00%	245,000
2018	-	-	4.05%	85,000	3.85%	42,000	4.10%	250,000
2019	-	-	-	-	3.85%	43,000	-	-
2020	-	-	-	-	3.85%	43,000	-	-
2021	-	-	-	-	3.85%	44,000	-	-
2022	-	-	-	-	3.85%	45,000	-	-
2023	-	-	-	-	3.85%	47,000	-	-
2024	-	-	-	-	3.85%	48,000	-	-
2025	-	-	-	-	3.85%	48,000	-	-
2026	-	-	-	-	3.85%	49,000	-	-
2027	-	-	-	-	3.85%	50,000	-	-
	Total	<u>\$ 895,000</u>		<u>465,000</u>		<u>658,000</u>	Total	<u>1,605,000</u>

Year Ending June 30,	State Revolving Fund Revenue Bonds	
	July 2, 2008	
	Interest Rates	Amount
2013	3.00%	245,000
2014	3.00%	253,000
2015	3.00%	261,000
2016	3.00%	270,000
2017	3.00%	278,000
2018	3.00%	287,000
2019	3.00%	297,000
2020	3.00%	306,000
2021	3.00%	316,000
2022	3.00%	327,000
2023	3.00%	337,000
2024	3.00%	348,000
2025	3.00%	359,000
2026	3.00%	371,000
2027	3.00%	383,000
2028	3.00%	396,000
2029	3.00%	409,000
		<u>5,443,000</u>

See accompanying independent auditor's report

Year Ending June 30,	General Obligation Bonds and Notes						Total
	Corporate Purpose Series 2010		Corporate Purpose Series 2010B		Corporate Purpose Series 2012		
	May 15, 2010		November 23, 2010		May 3, 2012		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2013	1.70%	255,000	1.05%	50,000	0.60%	80,000	1,048,000
2014	2.00%	265,000	1.30%	50,000	0.60%	80,000	1,068,000
2015	2.40%	135,000	1.55%	55,000	0.80%	215,000	1,100,000
2016	2.75%	135,000	1.85%	55,000	1.00%	215,000	836,000
2017	3.00%	135,000	2.10%	55,000	1.20%	225,000	782,000
2018	3.25%	145,000	2.40%	55,000	1.60%	95,000	672,000
2019	3.40%	145,000	2.70%	60,000	1.60%	70,000	318,000
2020	3.60%	150,000	3.00%	60,000	1.60%	20,000	273,000
2021		-	3.15%	60,000		-	104,000
2022		-		-		-	45,000
2023		-		-		-	47,000
2024		-		-		-	48,000
2025		-		-		-	48,000
2026		-		-		-	49,000
2027		-		-		-	50,000
		<u>1,365,000</u>		<u>500,000</u>		<u>1,000,000</u>	<u>6,488,000</u>

## City of Manchester

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

	<u>2012</u>
Receipts:	
Property tax	\$ 2,818,848
Other city tax	539,479
Licenses and permits	81,250
Use of money and property	37,534
Intergovernmental	1,164,408
Charges for service	467,608
Special assessments	115,749
Miscellaneous	<u>572,786</u>
Total	<u><u>\$ 5,797,662</u></u>
Disbursements:	
Operating:	
Public safety	\$ 1,307,833
Public works	1,077,500
Culture and recreation	797,076
Community and economic development	201,313
General government	284,863
Debt service	1,125,583
Capital projects	<u>1,425,513</u>
Total	<u><u>\$ 6,219,681</u></u>

See accompanying independent auditor's report

**RFSW** Ridihalgh Fuelling  
Snitker Weber & Co.  
C E R T I F I E D P U B L I C A C C O U N T A N T S

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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 24, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Manchester is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Manchester's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Manchester's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Manchester's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Manchester's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in

Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12, II-C-12, and II-D-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-12 and II-E-12 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manchester's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Manchester's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Manchester's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Manchester and other parties to whom the City of Manchester may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Manchester during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

January 24, 2013

City of Manchester

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Manchester did not expend in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2012.



City of Manchester

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-12 Preparation of Financial Statements – The City of Manchester, Iowa employs an accounting staff with the ability to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America, but the staff does not have the training or reference materials available to draft the footnotes to the financial statements; therefore, it relies on its auditors to prepare such statements.

Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion – Response acknowledged.

- II-C-12 Tax Increment Financing – The City has a very large fund balance in the TIF Fund of \$581,129. This is partially due to grant funds received in 2009 which were never transferred from the TIF fund to the fund where the monies were expended. We also noted several errors on the TIF Indebtedness Certification sent to the county auditor over the past three years.

Recommendation – We recommend the appropriate transfer be made for the grant funds and that the City develop a plan of action to reduce or eliminate the TIF fund balance. We also recommend the City take extra measures to ensure the accuracy of the report filed with the county auditor.

City of Manchester

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Response – We will do this. One reason the balance of the TIF fund was high was due to the City receiving final payment on the sale of a speculative building built many years ago using TIF dollars. We are working with the county auditor to accurately certify our TIF report in the future.

Conclusion – Response acknowledged.

- II-D-12 Credit Card Policy – The City's credit card policy states, in part, *"All receipts must be signed by the department supervisor and brought into the City Clerk's office upon return of the card. If receipts are not turned in, the City will not be responsible for those charges on the card and said charges shall become the responsibility of the employee making the charges."* We found several instances where credit card disbursements did not have supporting documentation attached to the statement.

Recommendation – We recommend the City enforce its credit card policy and require documentation for all credit card charges.

Response – We will do this.

Conclusion – Response acknowledged.

- II-E-12 Transfers – The City has a policy of approving all transfers between funds through the budget process. However, we noted several instances where amounts actually transferred exceeded amounts budgeted to be transferred.

Recommendation – We recommend the City review all transfers needing to be made and approve them on an individual monthly basis. Recurring and known transfers may continue to be approved through the budget process.

Response – We will do this.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Manchester

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part III: Other Findings Related to Statutory Reporting:**

III-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted. However amounts exceeded amounts budgeted before amendment in the community and economic development and public works functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.” Also, the amended budget fund balances did not equal the original certified budget fund balances.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. The amended budget fund balances should equal the original budget fund balances.

Response – The budget will be amended before disbursements are allowed to exceed it in the future, if applicable and the fund balances will equal the originally certified budget.

Conclusion – Response accepted.

Certified Budget – The budget amendment was adopted and approved in a timely manner, but was not filed with the county auditor until July 3, 2012. Chapter 24.9 of the Code of Iowa states, in part, “Such amendments to budget estimates may be considered and adopted at any time during the fiscal year covered by the budget sought to be amended, by filing the amendments and upon publishing them and giving notice of the public hearing in the manner required in this section.”

Recommendation – The budget amendment should be filed with the county auditor’s office as soon as it’s approved by council.

Response – We will file this timely in the future.

Conclusion – Response accepted.

III-B-12 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

City of Manchester

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Name, Title, and Business Connection	Transaction Description	Amount
1. Kim Corkery, sister of employee Kathy Corkery	Baked goods	\$ 110
2. Linda Fangman, employee	Taught CPR class	232
3. Mark Fink, brother-in-law of employee Chad Eschen	Snow removal contract	3,782
4. Erica Foley, spouse of employee Doug Foley	Youth coach	210
5. Alicia J. Wessels, daughter of employee Jim Wessels	Compliance checks	75
6. Bill Thomas, spouse of employee Laura Thomas	Purchased desk	35
7. Lucas Thomas, son of employee Laura Thomas	Umpire	30
8. Closet Creations & Installation, owned by Jim Haight, brother of employee Jason Haight	Closet install	336
9. Baumgartner Gate Factory, owned by volunteer fireman Dan Gritzner	Supplies	1,451
10. Gibbs Engineering & Surveying, employs volunteer fireman Randy Rattenborg	Engineering services for FEMA project	2,500
11. NE Iowa Telephone Service, owned by volunteer fireman Mike Corkery	Phone system	13,955
12. Sue's Flower & Garden Center, owned by Susan Broghammer, daughter of councilman Tony Broghammer	Trees and plants	339

In accordance with Chapter 362.5(5) of the Code of Iowa, transactions 3 and 10 do not appear to represent conflicts of interest since the employees have an interest solely by reason of employment and the remuneration of employment will not be directly affected as a result of the contract.

In accordance with Chapter 362.5(8) of the Code of Iowa, transactions 9 and 11 do not appear to represent conflicts of interest since they are contracts with volunteer firemen.

In accordance with Chapter 362.5(10) of the Code of Iowa, the remaining transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

III-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Manchester

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- III-F-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of City Council proceedings were published, there were several meetings where the minutes were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Although the notices of public hearings were published, there was an instance where a notice was not properly published as required by Chapter 362.3(1). The Code states in part that notices should be published “not less than four nor more than twenty days before the date of the hearing.”

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes and hearing notices as required.

Response – We will publish minutes and hearing notices as required.

Conclusion – Response accepted.

- III-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted. However, it was noted that there were 44 customer refund checks totaling \$734.68 written June 12, 2012 that were not sent out as of the date of fieldwork.

Recommendation – The City should mail all checks as soon as they are written.

Response – We will void these checks and reissue them with current check numbers and send immediately.

Conclusion – Response accepted.

- IV-H-12 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Enterprise, Water Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Enterprise, Water Fund to the Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

- III-I-12 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

City of Manchester

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

III-J-12 Financial Condition – The Capital Projects Fund – CDBG Housing Funds had a deficit balance of \$144,098 and the Water Capital Improvement Fund had a deficit balance of \$895,165 at June 30, 2012.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficits were due to construction costs incurred prior to receipt of grant and loan funds. These timing issues occur as a result of grant reimbursement agreements.

Conclusion – Response accepted.

City of Manchester

Staff

This audit was performed by:

Gina Trimble, CPA, Manager  
Jeremy Lockard, CPA, In-charge  
Dana Elliott, CPA, Staff  
James Remington, Staff